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**LOUISIANA STATE BOARD OF
WHOLESALE DRUG DISTRIBUTORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

FINANCIAL REPORT

**FOR THE YEARS ENDED
JUNE 30, 2002 AND JUNE 30, 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/24/03

**LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
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Margaret A. Pritchard, CPA
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Louisiana State Board of Wholesale Drug Distributors
Department of Health and Hospitals
State of Louisiana

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying basic financial statements of the business-type activities of Louisiana State Board of Wholesale Drug Distributors, a component unit of the State of Louisiana, as of and for the two years ended June 30, 2003, which collectively comprise the Board's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Louisiana State Board of Wholesale Drug Distributors' management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Louisiana State Board of Wholesale Drug Distributors as of June 30, 2003, and the respective changes in financial position and cash flows for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

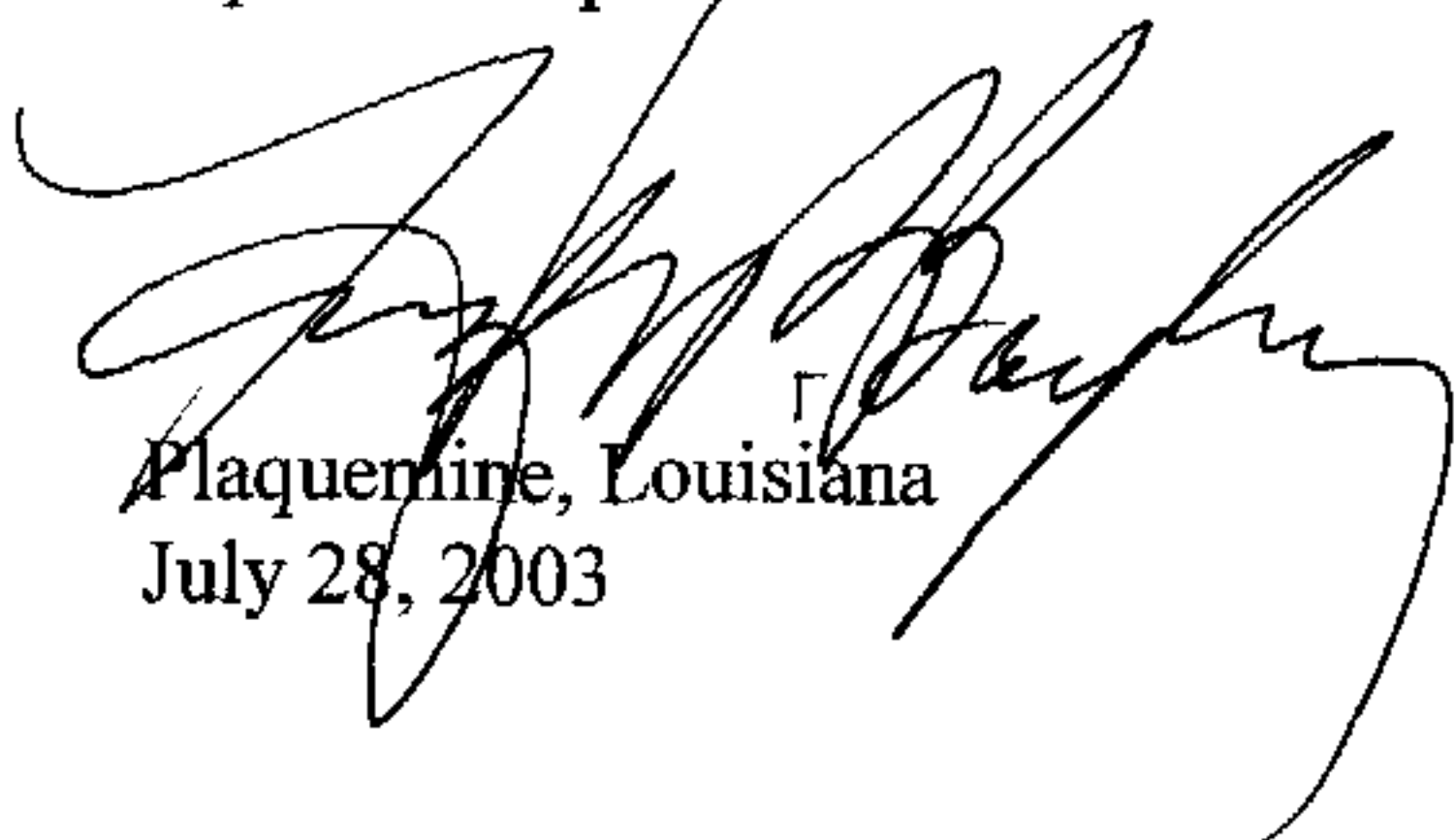
In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2003, on our consideration of Louisiana Wholesale Drug Distributors' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note A to the basic financial statements, the Board has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments as of July 1, 2001*.

INDEPENDENT AUDITORS' REPORT (continued)

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Louisiana State Board of Wholesale Drug Distributors' basic financial statements. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Louisiana State Board of Wholesale Drug Distributors. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis on pages 5 through 8 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Plaquemine, Louisiana
July 28, 2003



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Louisiana State Board of Wholesale Drug Distributors
Department of Health and Hospitals
State of Louisiana
Baton Rouge, Louisiana

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the basic financial statements of Louisiana State Board of Wholesale Drug Distributors, a component unit of the Department of Health and Hospitals, State of Louisiana, as of June 30, 2003 and for the fiscal years ended June 30, 2003 and 2002, and have issued our report thereon dated July 28, 2003. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Louisiana State Board of Wholesale Drug Distributors' basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2003-1.

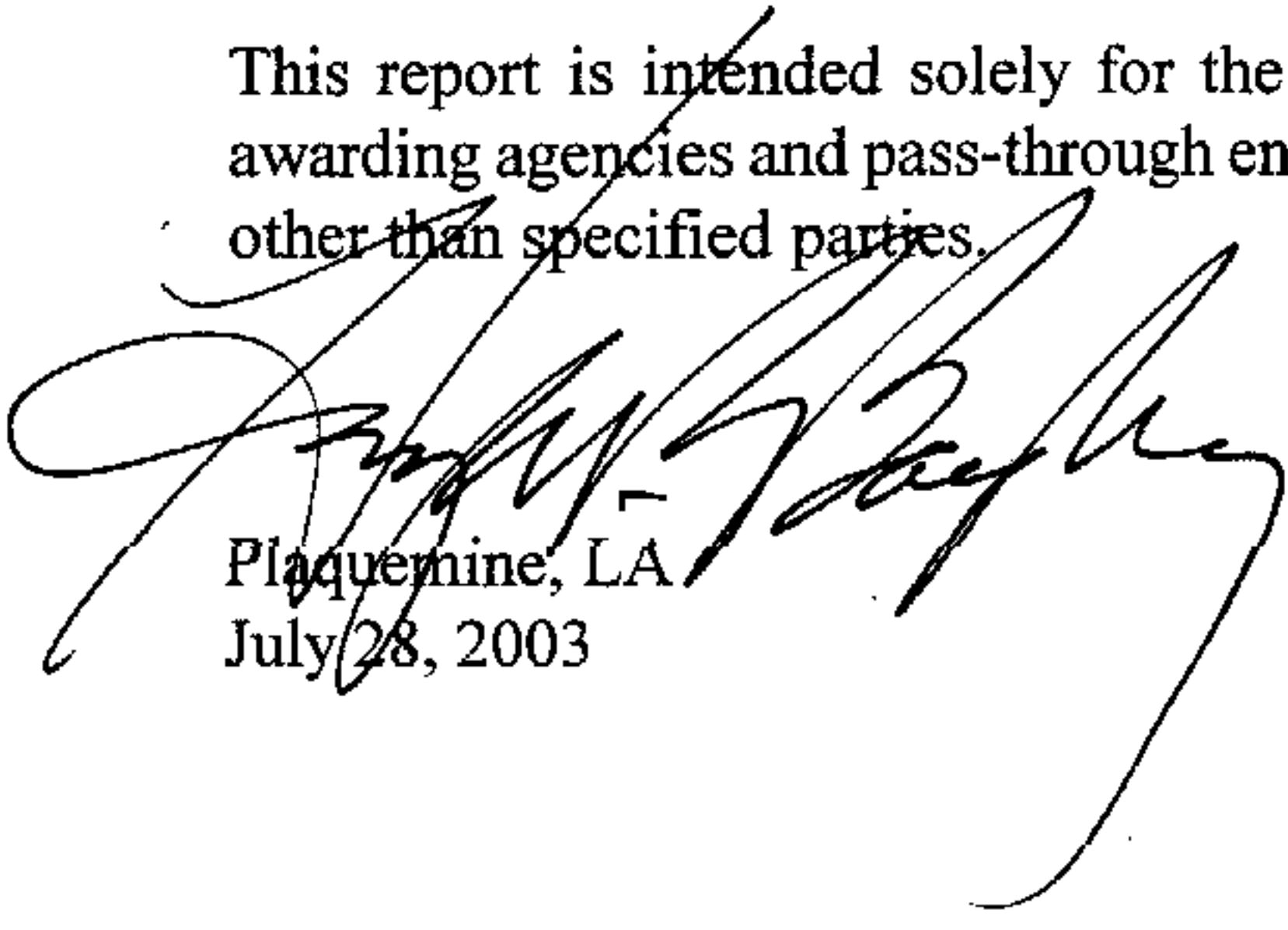
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Louisiana State Board of Wholesale Drug Distributors' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Louisiana Board of Wholesales Drug Distributor's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2003-1.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than specified parties.



Plaquemine, LA
July 28, 2003

REQUIRED SUPPLEMENTARY INFORMATION



LOUISIANA BOARD OF WHOLESALE DRUG DISTRIBUTORS

12046 Justice Avenue, Suite C

Baton Rouge, LA 70816

(225) 295-8567 Fax (225) 295-8568 www.lsbwdd.org

Management Discussion and Analysis

As of and for the Two-Years Ended June 30, 2003

General Information

The Louisiana Board of Wholesale Drug Distributors is a regulatory board established in 1988 for the safeguarding of life and health and to promote the public welfare in the regulation of wholesale drug distribution facilities into/within the State of Louisiana. The Board strives to license and regulate any person or entity engaged in the wholesale distribution of drugs.

Management's discussion and analysis (MD&A) is a required element of the new reporting model adopted by the Government Accounting Standard's Board (GASB) in their statement number 34. Its purpose is to provide an overview of the financial activities of the Louisiana Board of Wholesale Drug Distributors based on currently known facts, decisions, or conditions.

Financial Highlights

Licensing fees representing the issuance of new licenses, renewal of licenses, disciplinary fines, and miscellaneous other licensing related fees reflect total revenues of \$198,800 for fiscal year 2002 and \$229,265 for fiscal year 2003.

Total overall revenues reflected are \$206,491 for fiscal year 2002 and 234,595 for fiscal year 2003. This revenue includes all licensing related fees as well as other miscellaneous revenues.

Total expenditures for fiscal year 2002 totaled \$175,096 and for fiscal year 2003 totaled \$200,003.

Revenue

The Board's revenue consists of fees collected from licensees for annual renewal of licenses as well as fees collected for issuance of new licenses; disciplinary fines and costs recovery collected from licensees due to regulatory action taken; and interest earned on financial accounts.

Of note for fiscal year 2002 is that renewal fees and new license fees increased in 2002 from the previous year and increased in 2003 from 2002. This is mainly due to a greater number of wholesalers applying for licensure and renewing of licenses and an increase in disciplinary fines assessed by the Board. Use of money saw an increase of approximately \$25,000 due to increase in services provided and employee payroll expenses.

Expenditures

Expenditures consist mainly of: employee salaries, Board Member per diems, travel expense, contracted attorney and accountant fees, office rent, office expenses, communication expenses, tax and benefit expenses, and office supplies.

Overall expenditures increased as a result of increases in employee salaries, additional work performed by Board Members, subsequent increase in tax and benefit expenses, increase in inspection travel, and increase in office rent and general office expenses.

Overview of the Financial Statements

Operating Revenues	FY 2002	FY 2003
License/Permit Fees	\$ 186,800	\$ 203,265
License Disciplinary Fines	\$ 12,000	\$ 26,000

Operating Expenditures	FY 2002	FY 2003
Employee Salaries, Member Per Diems and Tax and Benefits	\$ 131,737	\$ 153,954
Travel Expenses	\$ 2,932	\$ 8,460
Attorney and Accounting	\$ 5,064	\$ 3,895
Office Rent and General Office Expense	\$ 35,363	\$ 33,694

Variations Between Original and Final Budgets

Variations between the original and the final budgeted revenues reflects an increase in licensing fees and disciplinary fines due to an increase in new license applications and a greater number of licenses being renewed and an increase in the number of disciplinary fines assessed by the Board.

Variations between the original and the final budgeted expenditures reflects an increase in employee salaries, taxes and benefits, Member per diems, travel expense, office rent and general office expenses due to employee merit raises and change of personnel, increase in Board work performed by Board Members, lease mandated office rent annual increase and general office expense increases.

Economic Factors and Next Year's Budget

The Board's fiscal year 2004 cash flow budget will have an increase in revenues due to the anticipation of an increase in the number of applications for new licensure and an increase in the number of licenses that will be renewed and an increase in expenditures due to the expectation of employee merit raises affecting taxes and benefits, the steady increase in Board work performed by Board Members, a mandated office rent increase and some increases in general office expenses. All other aspects of the budget should remain relatively the same.

Conclusion

The Board has continued its diligence in public service, as well as maintaining staff levels to accommodate periodic increases in workload with license renewal processing and in state facility annual inspections.

The annual operations budget enables the Board to provide office space, staffing, insurance requirements, resources and materials to continue its service to promote the public welfare by licensing, inspecting and regulating licensees.

Contacting the Administration of the Louisiana Board of Wholesale Drug Distributors

This financial report is designated to provide a general overview of the finances of the Louisiana Board of Wholesale Drug Distributors for those with an interest in the Board's financial position and operations. Questions about this report or request for additional information may be sent to:

Louisiana Board of Wholesale Drug Distributors
12046 Justice Avenue, Suite C
Baton Rouge, Louisiana 70816

BASIC FINANCIAL STATEMENTS

EXHIBIT A

LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2003

ASSETS

Current assets:	
Cash	\$ 205,273
Certificates of deposit	120,842
	<hr/>
Total current assets	326,115
	<hr/>
Property, plant and equipment	
Furniture and equipment	23,939
Less accumulated depreciation	(18,047)
	<hr/>
Net property, plant and equipment	5,892
	<hr/>
TOTAL ASSETS	\$ 332,007
	<hr/>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 133
	<hr/>
Total current liabilities	133
	<hr/>
Noncurrent liabilities:	
Compensated absences	9,804
	<hr/>
Total noncurrent liabilities	9,804
	<hr/>
Total liabilities	9,937
	<hr/>
Net assets:	
Investment in general fixed assets, net of related debt	5,892
Restricted net assets	60,000
Unrestricted net assets	256,178
	<hr/>
Total net assets	322,070
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 332,007
	<hr/>

The accompanying notes are an integral part of this statement.

EXHIBIT B

LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
TWO YEARS ENDED JUNE 30, 2003

	YEAR ENDED JUNE 30, 2003	YEAR ENDED JUNE 30, 2002
OPERATING REVENUES		
Licenses, permits, and fees	\$ 203,265	\$ 186,800
Licensee fines	26,000	12,000
TOTAL OPERATING REVENUES	229,265	198,800
OPERATING EXPENDITURES		
Personal services and related benefits	153,954	131,737
Operating services	23,957	23,825
Materials and supplies	7,104	5,440
Travel	8,460	2,932
Depreciation	2,633	6,098
Professional services	3,895	5,064
TOTAL OPERATING EXPENDITURES	200,003	175,096
OPERATING INCOME	29,262	23,704
NONOPERATING REVENUES		
Interest revenue	5,330	7,691
TOTAL NONOPERATING REVENUES	5,330	7,691
INCOME (LOSS) BEFORE CONTRIBUTIONS	34,592	31,395
CAPITAL CONTRIBUTIONS	-	(10,984)
CHANGES IN NET ASSETS	34,592	20,411
NET ASSETS - BEGINNING	287,478	250,035
Restated	-	17,032
NET ASSETS - BEGINNING	287,478	267,067
NET ASSETS AT END OF YEAR	\$ 322,070	\$ 287,478

The accompanying notes are an integral part of this statement.

EXHIBIT C

LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

Cash flows from operating activities	
Cash received from customers	\$ 229,265
Cash payments for goods and services	<u>(193,396)</u>
Net cash provided by operating activities	<u>35,869</u>
Cash flows from capital and related financing activities	
Equipment purchase	<u>(2,477)</u>
Net cash used in capital and related financing activities	<u>(2,477)</u>
Cash flows from investing activities	
Receipts of interest and dividends	<u>5,330</u>
Net cash provided by investing activities	<u>5,330</u>
Net increase (decrease) in cash and cash equivalents	38,722
Cash and cash equivalents, beginning of year	<u>287,393</u>
Cash and cash equivalents, end of year	<u><u>\$ 326,115</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ 29,262
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,633
Changes in operating assets and liabilities:	
Accounts payable	(32)
Compensated absences	<u>4,006</u>
Total adjustments	<u>6,607</u>
Net cash provided by operating activities	<u><u>\$ 35,869</u></u>

The accompanying notes are an integral part of this statement.

LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS

NOTES TO FINANCIAL STATEMENTS

INTRODUCTION

The Louisiana State Board of Wholesale Drug Distributors is a component unit of the State of Louisiana as provided by Louisiana Revised Statutes (LSA - R.S.) 37:3461-3482 within the Louisiana Department of Health and Hospitals, as provided by LSA-R.S. 36:309. The Board is composed of seven members, appointed by the Governor, who serve staggered terms of from two to six years, except that each member shall serve until his successor has been appointed and begins serving. The Board is charged with the responsibility of licensing all suppliers of legend drugs that ship into or within Louisiana; inspecting all wholesalers and distributors domiciled in Louisiana; and establishing certification that out-of-state suppliers who ship into Louisiana are properly certified in their own states. Operations of the Board are funded entirely through self-generated license fees.

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of the state and local governmental entities. In June of 1987, the GASB issued a revised codification of governmental accounting and financial reporting standards. The codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local government.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accompanying financial statements of the Louisiana State Board of Wholesale Drug Distributors have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. In conformance with GASB Codification Section 2100, the Board is a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the board members and public service is rendered within the state's boundaries. The accompanying basic financial statements present only the transactions of the Louisiana State Board of Wholesale Drug Distributors, a component unit of the State of Louisiana.

LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS NOTES TO FINANCIAL STATEMENTS

Annually the State issues basic financial statements which include the activity contained in the accompanying financial statements. The basic financial statements are issued by the Louisiana Division of Administration - Office of Statewide Reporting and Accounting Policy and audited by the Louisiana Legislative Auditor.

NOTE B – METHOD OF ACCOUNTING

On July 1, 2001, the Board adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*" Statement 34 established standards for external financial reporting for all state and local government entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This component of net asset consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The adoption of Statement 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the Statement and the reflection of capital contributions as a change in net assets.

The financial statements of the Board are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. Under Governmental Accounting Standards Board (GASB) Statement No. 20, the Board has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
NOTES TO FINANCIAL STATEMENTS

NOTE C – REVENUES AND EXPENSES

Operating revenue and expense consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Board's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

NOTE D - BUDGET PRACTICES

Budgets are prepared and adopted by the Board annually. The budget for fiscal year ended June 30, 2003 was adopted at the December 6, 2001 Board meeting and the budget for the fiscal year ending June 30, 2002 was adopted at the December 7, 2000 Board meeting.

In accordance with Louisiana Revised Statutes 39:1331 the Board submits a copy of its proposed budget and any subsequent amendments for the ensuing fiscal year to the Joint Legislative Committee on the Budget, to each chairman of a standing committee of the legislature having jurisdiction as listed in R.S. 49:968, to the Legislative Auditor, and the Legislative Fiscal Office.

The proposed budget is due no later than the first day of January. The Board monitors the budget and makes changes when deemed appropriate.

All funds budgeted are immediately available, as the Board's operations are financed with self-generated revenues. Therefore, the budget is known as a non-appropriated budget.

The Board does not follow the encumbrances method of accounting. Budgets are not included in the financial statements.

NOTE E - CASH AND CASH EQUIVALENTS

For reporting purposes, cash and cash equivalents include cash, demand deposits, time deposits and certificates of deposit. Under state law, the Board may deposit funds within a fiscal agent bank selected and designated by the Board. Further, the Board may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state chartered credit unions.

LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
NOTES TO FINANCIAL STATEMENTS

As reflected on the balance sheet, the Board had cash and cash equivalents totaling \$229,212 at June 30, 2003. Cash and cash equivalents are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. As of June 30, 2003, the amount on deposit was secured as follows:

	<u>Cash</u>
Bank balances:	
Cash and cash equivalents	\$ 216,741
Certificates of deposit	<u>120,842</u>
Total bank balances	<u>\$ 337,583</u>
Insured (FDIC)	\$ 100,000
Uncollaterized, including any securities held for the entity but not in the entity's name	<u>220,512</u>
Total carrying amount of FDIC and securities pledged	<u>\$ 320,512</u>
Excess of securities pledged over bank balance	<u>\$ (17,071)</u>

NOTE F - VACATION AND SICK LEAVE

The Board has the following policy related to annual and sick leave. The earning of annual and sick leave is based on the equivalent of full-time state service. It is credited at the end of each regular pay period of 80 hours of regular duty.

Accrued unused annual and sick leave shall be carried forward to the succeeding calendar years without limitation. Annual leave must be applied for by the employee and may be used only when approved by the Board. Upon retirement or resignation, unused annual leave of up to 300 hours is paid at the employee's current rate of pay. The employee is not paid for any unused sick leave. Annual leave in excess of 300 hours and sick leave are used in the retirement benefit computation as earned service.

At June 30, 2003, the employees of the Board had accumulated and vested \$9,804 of employee leave benefits, which was computed in accordance with GASB Codification Section C60, as modified by GASB Statement Number 16. This amount is recorded as a non-current liability.

**LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
NOTES TO FINANCIAL STATEMENTS**

NOTE G - TOTAL COLUMNS ON STATEMENTS

The total column on the balance sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE H – PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment of the Board are accounted for on a cost of services or "capital maintenance" measurement focus. Depreciation is provided using the straight-line method over estimated useful lives as follows:

Machinery and equipment	4-10 years
Buildings	25-40 years
Improvements other than buildings	30-50 years

NOTE I - ENCUMBRANCES

Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the application appropriation, is not employed.

NOTE J – CHANGES IN AMOUNTS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

The change in amounts invested in capital assets, net of related debt can be summarized as follows:

Balance, July 1, 2001	\$ 17,032
Change in capital assets	(10,984)
Change in related debt	-
Change in debt related to unspent proceeds	-
Balance, June 30, 2002	6,048
Change in capital assets	(156)
Change in related debt	-
Change in debt related to unspent proceeds	-
Balance, June 30, 2003	<u>\$ 5,892</u>

**LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
NOTES TO FINANCIAL STATEMENTS**

NOTE K – PENSION PLAN

All full-time employees of the Board are members of the Louisiana State Employees Retirement System ("System"), a multiple-employer (cost sharing), public employee retirement system (PERS) controlled and administered by a separate board of trustees. Contributions of participating agencies are pooled within the System to fund accrued benefits, with contribution rates approved by the Louisiana Legislature.

All full-time employees are eligible to participate in the System. Benefits vest with ten years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5 percent of their highest consecutive 36 months average salary multiplied by their years of credited service. Vested employees may retire at (a) any age with thirty years of service, (b) age 55 with twenty-five years of service, or (c) at age 60 with ten years of service. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues stand-alone financial statements that may be obtained at Post Office Box 44213, Baton Rouge, Louisiana, 70804.

In addition to the employee contributions of 7.5 percent of gross salary, the Board contributes an additional 12.4 percent of gross salary to the System. Contributions to the System were funded through employee and employer contributions of \$8,826 and \$16,593 and \$7,698 and \$13,344, respectively, for the years ended June 30, 2003 and June 30, 2002. The total payroll of the Board for the years ended June 30, 2003 and June 30, 2002 were \$125,526 and \$109,641, respectively. Under present statutes, the Board does not guarantee any of the benefits of the System.

NOTE L - POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Board may provide certain continuing health care and life insurance benefits for its retired employees. Substantially all of the Board employees become eligible for those benefits if they reach normal retirement age while working for the Board.

Those benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employees and by the Board. The Board recognizes the cost of providing the benefits (Board's portion of premiums) as an expenditure when paid during the year. The Board has no retired employees, and at present does not provide life insurance benefits.

LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
NOTES TO FINANCIAL STATEMENTS

NOTE M - LEASES

The Board leases office space for \$1,219 per month. This lease is considered for accounting purposes to be an operating lease which expires October 31, 2005. Rent expenditure is \$14,440 for the year ended June 30, 2003 and \$13,884 for the year ended June 30, 2002.

A schedule of payments for operating leases follows:

<u>Year ended June 30, 2003</u>	<u>Amount</u>
2004	\$ 15,020
2005	<u>15,624</u>
	<u>\$ 30,644</u>

NOTE N – COMPENSATED ABSENCES

Non-current liabilities consist of compensated absences. The following is a summary of the long-term obligation transactions during the year ended June 30, 2003.

Long-term obligations payable at July 1, 2001	\$ 4,135
Increase in long-term debt	<u>1,663</u>
Long-term obligations payable at June 30, 2002	5,798
Increase in long-term debt	<u>4,006</u>
Long-term obligations payable at June 30, 2003	<u>\$ 9,804</u>

NOTE O - RELATED PARTY TRANSACTIONS

The Board has entered into no related party transactions during the audit period.

LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
NOTES TO FINANCIAL STATEMENTS

NOTE P - LITIGATION

At June 30, 2003, there was no litigation pending against the Board.

NOTE Q – RESTRICTED NET ASSETS

The Board has designated \$60,000 of the fund balance as a reserve for undetermined future legal contingencies.

NOTE R – RESTATEMENT OF BEGINNING NET ASSETS

Beginning net assets @ June 30, 2001	\$ 250,035
Restated:	
Change in property and equipment	32,008
Accumulated depreciation	<u>(14,976)</u>
Beginning net assets resated at June 30, 2001	<u><u>\$ 267,067</u></u>

SUPPLEMENTAL INFORMATION

SCHEDULE 1

**LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
SCHEDULE OF BOARD MEMBERS' PER DIEM
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND JUNE 30, 2002**

	Fiscal Years Ended June 30	
	2003	2002
Bob Broadus	\$ 900	\$ 75
Wayne Gremillion	975	675
Frederic King	450	150
Susan Kolb	-	150
William Lane	225	150
William Crates	600	-
Randy Greene	150	-
Randall Brooks	150	-
	<u>\$ 3,450</u>	<u>\$ 1,200</u>

This schedule of per diem paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Board members are paid \$75 per day for each board meeting they attend and for each day of additional service they render to the Board, as authorized by Louisiana Revised Statute 37:3111.

LOUISIANA STATE BOARD OF DRUG DISTRIBUTORS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
TWO YEARS ENDED JUNE 30, 2003

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

Material weaknesses identified?	_____ yes	<u> X </u> no
Reportable conditions identified that are not considered to be material weaknesses?	<u> X </u> yes	_____ no
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITION

2003-1 COLLATERALIZATION OF BANK BALANCES

Condition:

At June 30, 2003, the bank balances exceeded the combined amount of FDIC coverage and securities pledged by \$17,071.

Criteria:

Under state law, the deposits in the bank must be secured by equivalent federal deposit insurance and the value of pledged securities.

Effect:

There were uncollateralized bank balances resulting in non-compliance with state law.

Recommendation:

A procedure requiring office personnel to determine adequate collateralization should be implemented. If inadequate collateralization is determined, the bank should be notified.

Management's Response:

The matter has been taken into consideration. The error was an error by the bank. We do receive monthly pledge reports, and the pledge has been corrected by Hancock bank on July 15, 2003. In the future we will verify that the FDIC plus the federal deposit insurance covers our bank deposits.

SCHEDULE 3

**LOUISIANA STATE BOARD OF DRUG DISTRIBUTORS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
TWO YEARS ENDED JUNE 30, 2003**

There were no prior years' findings.

LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
STATE OF LOUISIANA
Annual Financial Statements
June 30, 2003

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STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ending June 30, 2003

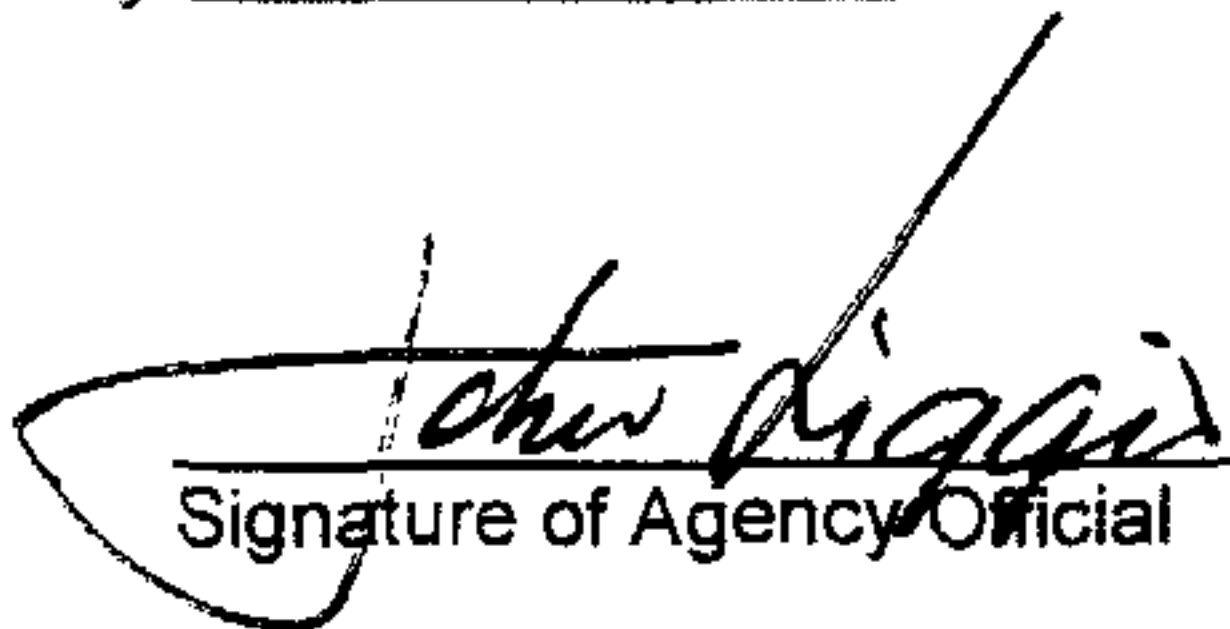
Louisiana State Board of Wholesale Drug Distributors


Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, Louisiana 70804-9095

Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, John Liggio (Name)
(Title) of Louisiana State Board of Wholesale Drug Distributors who duly sworn, deposes and says,
that the financial statements herewith given present fairly the financial position of Louisiana State
Board of Wholesale Drug Distributors at June 30, 2003 and the results of operations for the year then
ended in accordance with policies and practices established by the Division of Administration or in
accordance with Generally Accepted Accounting Principles as prescribed by the Governmental
Accounting Standards Board. Sworn and subscribed before me, this 25TH day of
August, 2003.


Signature of Agency Official


NOTARY PUBLIC

Prepared by: Ouida M. Nugent

Title: Accountant

Telephone No.: 225-752-3425

Date: August 25, 2003

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ending June 30, 2003

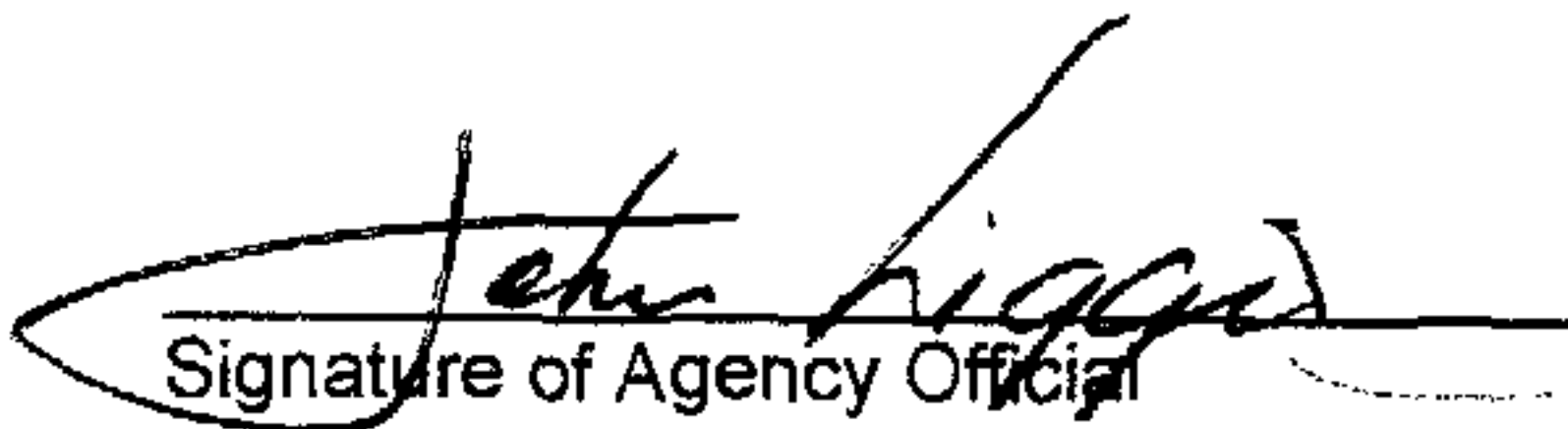
Louisiana State Board of Wholesale Drug Distributors

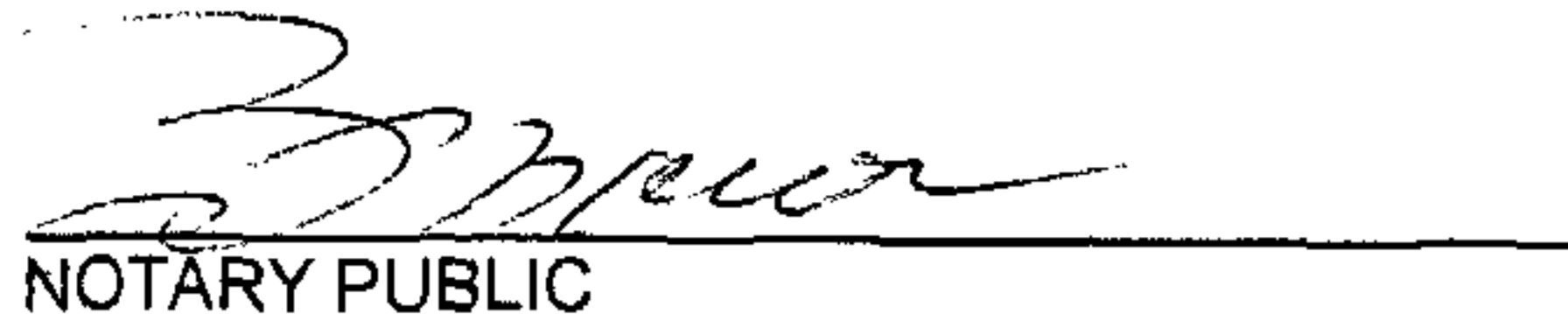
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AFFIDAVIT

Personally came and appeared before the undersigned authority, John Liggio (Name)
(Title) of Louisiana State Board of Wholesale Drug Distributors who duly sworn, deposes and says,
that the financial statements herewith given present fairly the financial position of
Louisiana State Board of Wholesale Drug Distributors at June 30, 2003 and the results of operations
for the year then ended in accordance with policies and practices established by the Division of
Administration or in accordance with Generally Accepted Accounting Principles as prescribed by
the Governmental Accounting Standards Board. Sworn and subscribed before me, this 25th
day of August, 2003.


Signature of Agency Official


NOTARY PUBLIC

Prepared by: Ouida M. Nugent

Title: Accountant

Telephone No.: 225-752-3425

Date: August 25, 2003

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
BALANCE SHEET
AS OF JUNE 30, 2003

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note C1)	\$	266,115
Investments (Note C2)		
Receivables (net of allowance for doubtful accounts)(Note U)		
Due from other funds (Note Y)		
Due from federal government		
Inventories		
Prepayments		
Notes receivable		
Restricted assets (Note F):		
Cash		60,000
Investments		
Receivables		
Other current assets		
Total current assets		326,115

NONCURRENT ASSETS:

Restricted assets (Note F):		
Cash		
Investments		
Receivables		
Notes receivable		
Capital assets (net of depreciation)(Note D)		
Land		
Buildings and improvements		
Machinery and equipment		5,892
Infrastructure		
Construction in progress		
Other noncurrent assets		
Total noncurrent assets		5,892
Total assets	\$	332,007

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accruals (Note V)	\$	133
Due to other funds (Note Y)		
Due to federal government		
Deferred revenues		
Amounts held in custody for others		
Other current liabilities		
Current portion of long-term liabilities:		
Contracts payable		
Reimbursement contracts payable		
Compensated absences payable (Note K)		
Capital lease obligations - (Note J)		
Notes payable		
Liabilities payable from restricted assets (Note Z)		
Bonds payable		
Other long-term liabilities		
Total current liabilities		133

NON-CURRENT LIABILITIES:

Contracts payable		
Reimbursement contracts payable		
Compensated absences payable (Note K)		9,804
Capital lease obligations (Note J)		
Notes payable		
Liabilities payable from restricted assets (Note Z)		
Bonds payable		
Other long-term liabilities		
Total long-term liabilities		9,804
Total liabilities		9,937

NET ASSETS

Invested in capital assets, net of related debt		5,892
Restricted for:		
Capital projects		
Debt service		
Unemployment compensation		
Other specific purposes		60,000
Unrestricted		256,178
Total net assets		322,070
Total liabilities and net assets	\$	332,007

The accompanying notes are an integral part of this financial statement.
 Statement A

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003**

OPERATING REVENUES

Sales of commodities and services	\$	
Assessments		
Use of money and property		
Licenses, permits, and fees		203,265
Other - Licensee fines		26,000
Total operating revenues		229,265

OPERATING EXPENSES

Cost of sales and services		
Administrative		197,370
Depreciation		2,633
Amortization		
Total operating expenses		200,003

Operating income(loss)		29,262
------------------------	--	--------

NON-OPERATING REVENUES(EXPENSES)

State appropriations		
Intergovernmental revenues (expenses)		
Taxes		
Use of money and property		5,330
Gain (loss) on disposal of fixed assets		
Federal grants		
Interest expense		
Other		
Total non-operating revenues(expenses)		5,330

Income(loss) before contributions and transfers		34,592
---	--	--------

Capital contributions

Transfers in

Transfers out

Change in net assets		34,592
----------------------	--	--------

Total net assets – beginning as restated		287,478
--	--	---------

Total net assets – ending	\$	322,070
---------------------------	----	---------

The accompanying notes are an integral part of this financial statement.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

	Program Revenues				Net (Expense)
		Charges for	Operating	Capital	Revenue and
	Expenses	Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Assets
Component Unit:					
Component Unit X	\$ 200,003	\$ 229,265	\$	\$	\$ 29,262
General revenues:					
Taxes					
State appropriations					
Grants and contributions not restricted to specific programs					
Interest					5,330
Miscellaneous					
Special items					
Transfers					
Total general revenues, special items, and transfers					5,330
Change in net assets					34,592
Net assets - beginning					287,478
Net assets - ending				\$	\$ 322,070

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003**

Cash flows from operating activities

Cash received from customers	\$	229,265	
Cash payments to suppliers for goods and services		(39,442)	
Cash payments to employees for services		(153,954)	
Payments in lieu of taxes			
Internal activity-payments to other funds			
Claims paid to outsiders			
Other operating revenues(expenses)			
Net cash provided(used) by operating activities			35,869

Cash flows from non-capital financing activities

State appropriations			
Proceeds from sale of bonds			
Principal paid on bonds			
Interest paid on bond maturities			
Proceeds from issuance of notes payable			
Principal paid on notes payable			
Interest paid on notes payable			
Operating grants received			
Other			
Transfers in			
Transfers out			
Net cash provided(used) by non-capital financing activities			0

Cash flows from capital and related financing activities

Proceeds from sale of bonds			
Principal paid on bonds			
Interest paid on bond maturities			
Proceeds from issuance of notes payable			
Principal paid on notes payable			
Interest paid on notes payable			
Acquisition/construction of capital assets		(2,477)	
Proceeds from sale of capital assets			
Capital contributions			
Other			
Net cash provided(used) by capital and related financing activities			(2,477)

Cash flows from investing activities

Purchases of investment securities			
Proceeds from sale of investment securities			
Interest and dividends earned on investment securities		5,330	
Net cash provided(used) by investing activities			5,330

Net increase(decrease) in cash and cash equivalents			38,722
Cash and cash equivalents at beginning of year			287,393
Cash and cash equivalents at end of year	\$		326,115

The accompanying notes are an integral part of this statement.

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
STATEMENT OF CASH FLOWS**

Reconciliation of operating income(loss) to net cash provided(used) by operating activities:

Operating income(loss)	\$	<u>29,262</u>
Adjustments to reconcile operating income(loss) to net cash		
Depreciation/amortization	2,633	
Provision for uncollectible accounts		
Changes in assets and liabilities:		
(Increase)decrease in accounts receivable		
(Increase)decrease in due from other funds		
(Increase)decrease in prepayments		
(Increase)decrease in inventories		
(Increase)decrease in other assets		
Increase(decrease) in accounts payable	(32)	
Increase(decrease) in accrued payroll and related benefits		
Increase(decrease) in compensated absences payable	4,006	
Increase(decrease) in due to other funds		
Increase(decrease) in deferred revenues		
Increase(decrease) in other liabilities		
Net cash provided(used) by operating activities	\$	<u>35,869</u>

FOR THE YEAR ENDED JUNE 30, 2003

Schedule of noncash investing, capital, and financing activities:

Borrowing under capital lease	
Contributions of fixed assets	
Purchases of equipment on account	
Asset trade-ins	
Other (specify)	
Total noncash investing, capital, and financing activities:	<u>0</u>

(Concluded)

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
Notes to the Financial Statement
As of and for the year ended June 30, 2003
INTRODUCTION

The Louisiana State Board of Wholesale Drug Distributors was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 37:3461-3482. The following is a brief description of the operations of Louisiana State Board of Wholesale Drug Distributors which includes the parish/parishes in which Louisiana State Board of Wholesale Drug Distributors is located:

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of Louisiana State Board of Wholesale Drug Distributors present information only as to the transactions of the programs of the Louisiana State Board of Wholesale Drug Distributors as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Louisiana State Board of Wholesale Drug Distributors are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. BUDGETARY ACCOUNTING

The appropriations made for the operations of the various programs of the Louisiana State Board of Wholesale Drug Distributors are annual lapsing appropriations.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Budget Committee, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements include the original appropriation plus subsequent amendments as follows:

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
Notes to the Financial Statement
As of and for the year ended June 30, 2003

	<u>APPROPRIATIONS</u>
Original approved budget	\$ <u>204,925</u>
Amendments:	<u> </u> <u> </u> <u> </u> <u> </u>
Final approved budget	\$ <u><u>204,925</u></u>

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the Louisiana State Board of Wholesale Drug Distributors may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Louisiana State Board of Wholesale Drug Distributors may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets with a maturity of three months or less when purchased) are considered to be cash equivalents.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer. The deposits at June 30, 2003 were secured as follows:

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
Notes to the Financial Statement
As of and for the year ended June 30, 2003

	Deposits in bank accounts			
	Cash	Certificates of Deposit	Other (Describe)	Total
Deposits in bank accounts per balance sheet	\$ 205,173	\$ 120,842	\$	\$ 326,015
Bank balances:				
1. Insured or collateralized with securities held by the entity or its agency <u>in the entity's name</u>	100,000			100,000
2. Collateralized with securities held by the pledging institution's trust department or agent <u>in the entity's name</u>				
3. Uncollateralized, including any securities held for the entity <u>but not in the entity's name</u>	105,173	120,842		226,015
Total bank balances	\$ 205,173	\$ 120,842	\$	\$ 326,015

NOTE: The "Total Bank Balances" will not necessarily equal the "Deposits in Bank Account per Balance Sheet".
The following is a breakdown by banking institution, program, account number, and amount of the
balances shown above:

<u>Banking institution</u>	<u>Program</u>	<u>Amount</u>
1. Hancock National Bank	Checking/Savings	\$ 205,173
2. Hancock National Bank	Certificate of Deposit	120,842
3.		
4.		
Total		\$ 326,015

Cash in State Treasury	\$ 0
Petty cash	\$ 100

2. INVESTMENTS

The Louisiana State Board of Wholesale Drug Distributors does not maintain investment accounts.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
Notes to the Financial Statement
As of and for the year ended June 30, 2003

D. CAPITAL ASSETS – INCLUDING CAPITAL LEASE ASSETS

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are included on the statement of net assets of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity are charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets.

Year ended June 30, 2003						
	Balance 6/30/2002	Additions	Transfers *	Retirements	Balance 6/30/2003	Prior Period Adjustment
						Adjusted Balance 6/30/2003
Capital assets not being depreciated						
Land	--	--	--	--	--	--
Non-depreciable land improvements	--	--	--	--	--	--
Capitalized collections	--	--	--	--	--	--
Construction in progress	--	--	--	--	--	--
Total capital assets not being depreciated	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Other capital assets						
Furniture, fixtures, and equipment	21,462	2,477	--	--	23,939	--
Less accumulated depreciation	(15,414)	(2,633)	--	--	(18,047)	--
Total furniture, fixtures, and equipment	<u>6,048</u>	<u>(156)</u>	<u>--</u>	<u>--</u>	<u>5,892</u>	<u>--</u>
Buildings and improvements	--	--	--	--	--	--
Less accumulated depreciation	--	--	--	--	--	--
Total buildings and improvements	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Depreciable land improvements	--	--	--	--	--	--
Less accumulated depreciation	--	--	--	--	--	--
Total depreciable land improvements	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Infrastructure	--	--	--	--	--	--
Less accumulated depreciation	--	--	--	--	--	--
Total infrastructure	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total other capital assets	<u>6,048</u>	<u>(156)</u>	<u>--</u>	<u>--</u>	<u>5,892</u>	<u>--</u>
Capital Asset Summary:						
Capital assets not being depreciated	--	--	--	--	--	--
Other capital assets, at cost	21,462	2,477	--	--	23,939	--
Total cost of capital assets	<u>21,462</u>	<u>2,477</u>	<u>--</u>	<u>--</u>	<u>23,939</u>	<u>--</u>
Less accumulated depreciation	(15,414)	(2,633)	--	--	(18,047)	--
Capital assets, net	<u>6,048</u>	<u>(156)</u>	<u>--</u>	<u>--</u>	<u>5,892</u>	<u>--</u>

* Should be used only for those completed projects coming out of construction-in-progress to fixed assets; not associated with transfers reported elsewhere in this packet.

E. INVENTORIES

There are no inventories.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
Notes to the Financial Statement
As of and for the year ended June 30, 2003

F. RESTRICTED ASSETS

Restricted assets in the Louisiana State Board of Wholesale Drug Distributors at June 30, 2003, reflected at \$60,000 in the current assets section on Statement A, consist of \$60,000 in cash with fiscal agent. This is a reserve for undetermined future legal contingencies.

G. LEAVE

1. COMPENSATED ABSENCES

The Louisiana State Board of Wholesale Drug Distributors has the following policy on annual and sick leave:

The earning of annual and sick leave is based on the equivalent of full-time state service. It is credited at the end of each regular pay period of 80 hours of regular duty.

Accrued unused annual and sick leave shall be carried forward to the succeeding calendar years without limitation. Annual leave must be applied for by the employee and may be used only when approved by the Board. Upon retirement or resignation, unused annual leave of up to 300 hours is paid at the employee's current rate of pay. The employee is not paid for any unused sick leave. Annual leave in excess of 300 hours and sick leave are used in the retirement benefit computation as earned service.

At June 30, 2003, the employees of the Board had accumulated and vested \$9,804 of employee leave benefits, which was computed in accordance with GASB Codification Section C60, as modified by GASB Statement Number 16.

2. COMPENSATORY LEAVE

There is no compensatory leave.

H. RETIREMENT SYSTEM

Substantially all of the employees of the Louisiana State Board of Wholesale Drug Distributors are members of the La State Employees Retirement System (System), a cost sharing multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time Louisiana State Board of Wholesale Drug Distributors' employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service.

Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF WHOLESALE DRUG DISTRIBUTORS
Notes to the Financial Statement
As of and for the year ended June 30, 2003

supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the Louisiana State Board of Wholesale Drug Distributors is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2003, increased to 14.1% of annual covered payroll while 13% was required in fiscal years ended June 30, 2002 and 2001, respectively. The Louisiana State Board of Wholesale Drug Distributors contributions to the System for the years ending June 30, 2003, 2002, and 2001, were \$16,593, \$13,344, and \$12,355, respectively, equal to the required contributions for each year.

I. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

For 2003, there were no retired employees and no post retirement health care and life insurance benefits.

J. LEASES

1. OPERATING LEASES

The total payments for operating leases during fiscal year 2002-2003 amounted to \$14,440. A schedule of payments for operating leases follows:

<u>Nature of lease</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009- 2013</u>	<u>FY2014- 2016</u>
Office space	\$ 15,020	\$ 15,624	\$ 5,276	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 15,020	\$ 15,624	\$ 5,276	\$ 0	\$ 0	\$ 0	\$ 0

2. CAPITAL LEASES

There are no capital leases.

3. LESSOR DIRECT FINANCING LEASES

There are no lessor direct financing leases.

4. LESSOR - OPERATING LEASE

There are no lessor operating leases.

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K. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2003:

	<u>Year ended June 30, 2003</u>				
	<u>Balance</u> <u>June 30,</u> <u>2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30,</u> <u>2003</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>
Bonds and notes payable:					
Notes payable	\$	\$	\$	\$ --	\$
Reimbursement contracts payable				--	
Bonds payable				--	
Total notes and bonds	--	--	--	--	--
Other liabilities:					
Contracts payable				--	
Compensated absences payable	5,798	4,006		9,804	
Capital lease obligations				--	
Liabilities payable from restricted assets				--	
Claims and litigation				--	
Other long-term liabilities				--	
Total other liabilities	5,798	4,006	--	9,804	--
Total long-term liabilities	5,798	4,006	--	9,804	--

L. LITIGATION

1. The Louisiana State Board of Wholesale Drug Distributors is not a defendant in litigation seeking damages.

The Louisiana State Board of Wholesale Drug Distributors' legal advisor estimates that potential claims not covered by insurance would not materially affect the financial statements.

2. Claims and litigation costs of \$2,827 were incurred in the current year and are reflected in the accompanying financial statement.

M. RELATED PARTY TRANSACTIONS

There are no related party transactions.

N. ACCOUNTING CHANGES

There are no accounting changes other than the restatement of beginning net assets.

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O. IN-KIND CONTRIBUTIONS

There are no in-kind contributions.

P. DEFEASED ISSUES

There are no defeased issues.

Q. COOPERATIVE ENDEAVORS

There are no cooperative endeavors.

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)

There are no government-mandated nonexchange transactions.

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

There are no violations of finance-related legal or contractual provisions.

T. SHORT-TERM DEBT

There is no short-term debt.

U. DISAGGREGATION OF RECEIVABLE BALANCES

There is none.

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2003, were Miscellaneous Vendors Accounts Payable of \$133.

W. SUBSEQUENT EVENTS

There are no subsequent events.

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X. SEGMENT INFORMATION

The Louisiana State Board of Wholesale Drug Distributors has no requirement for separate segment accounting.

Y. DUE TO/DUE FROM AND TRANSFER

There are none.

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

There are no liabilities payable from restricted assets.

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS

The following adjustments were made to restate beginning net assets for June 30, 2003

Fund balance July 1, 2002, <u>previously reported</u>	Adjustments <u>+ or (-)</u>	Beginning net assets, July 1, 2002, <u>As restated</u>
\$ 2 8 2 , 0 1 4	\$ 5 , 4 6 4	\$ --
		2 8 7 , 4 7 8
		--
		--
		--
		--

*This is an audit correction.

For the Year Ended June 30, 2003

\$ 3,450